



SUSTAINABILITY ACCOUNTING STANDARD  
CONSUMPTION I SECTOR

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# NON-ALCOHOLIC BEVERAGES

## Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0201  
Prepared by the  
Sustainability Accounting Standards Board®

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Exposure Draft Standard for Public Comment

# NON-ALCOHOLIC BEVERAGES

## Sustainability Accounting Standard

### About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

### About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

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# INTRODUCTION

## Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Non-Alcoholic Beverages industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material—depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

## Industry Description

The Non-Alcoholic Beverages industry produces a broad range of beverage products, including various carbonated soft drinks, syrup concentrates, juices, energy and sport drinks, teas, coffee, and water products. Industry participants partake in syrup manufacturing, marketing, bottling operations, and distribution, with larger companies typically being more vertically integrated into finished-product operations that bottle, sell, and distribute the finished products. The industry currently faces challenges with addressing the health and nutritional benefits of its products. Additionally, the purchase of raw ingredients such as water and sugar is among the industry's largest expenses and creates supply challenges in areas considered to be water-stressed and/or exposed to shifting weather patterns associated with climate change.

# Guidance for Disclosure of Material Sustainability Topics in SEC Filings

## 1. Industry-level Sustainability Topics

For the Non-Alcoholic Beverages industry, SASB has identified the following sustainability topics:

- Energy Management & Fleet Fuel Consumption
- Water Management
- Health & Nutrition
- Product Labeling & Marketing
- Packaging Lifecycle Management
- Environmental & Social Impacts of Ingredient Supply Chains

## 2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”<sup>1, 2</sup>

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”<sup>2</sup>

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”<sup>2</sup>

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

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<sup>1</sup> TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

<sup>2</sup> C.F.R. 229.303(item 303)(a)(3)(ii)

- Second, if a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

### 3. Sustainability Accounting Standard Disclosures in Form 10-K

#### a. Management’s Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **“Sustainability Accounting Standards Disclosures.”**<sup>3</sup>

#### b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

#### c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

# Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Non-Alcoholic Beverages industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204<sup>3</sup>—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant’s **strategic approach** to managing performance on material sustainability issues;
- The registrant’s competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant’s **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainable Industry Classification System \(SICSTM\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

## Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),<sup>4</sup> for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

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<sup>3</sup> SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.”

<sup>4</sup> Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

# Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);<sup>5</sup>
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

## Reporting Format

### Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics”—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

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<sup>5</sup>See US GAAP consolidation rules (Section 810).



Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Volume of products sold	Quantitative	Millions of liters	CN0201-A
Total fleet road miles traveled	Quantitative	Miles	CN0201-B
Amount of raw materials sourced externally <sup>6</sup>	Quantitative	U.S. Dollars (\$)	CN0201-C

## Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

## Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

## Estimates

SASB recognizes that scientifically based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

## Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

## Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

<sup>6</sup> Note to **CN0201-C**—The amount of raw materials sourced externally shall be calculated on a cost of goods sold (COGS) basis.  
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Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

## Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

## Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

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The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
<b>Energy Management &amp; Fleet Fuel Consumption</b>	Operational energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0201-01
	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0201-02
<b>Water Management</b>	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m <sup>3</sup> ) Percentage (%)	CN0201-03
	Description of strategy or plans to manage water consumption and disposal-related risks	Discussion and Analysis	n/a	CN0201-04
<b>Health &amp; Nutrition</b>	Revenue from (1) zero-calorie, (2) low-calorie, (3) no-added-sugar, and (4) artificially sweetened beverages <sup>7</sup>	Quantitative	U.S. Dollars (\$)	CN0201-05
	Description of the process to identify and manage products and ingredients of consumer concern	Discussion and Analysis	n/a	CN0201-06
<b>Product Labeling &amp; Marketing</b>	Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria	Quantitative	Number, Percentage (%)	CN0201-07
	Percentage of product portfolio labeled as (1) GMO and (2) non-GMO	Quantitative	Percentage (%) by revenue	CN0201-08
	Notices of violations received for non-conformance with regulatory labeling and/or marketing codes	Quantitative	Number, Percentage (%)	CN0201-09
	Amount of legal and regulatory fines and settlements associated with labeling and/or marketing practices <sup>8</sup>	Quantitative	U.S. Dollars (\$)	CN0201-10

<sup>7</sup> Note to **CN0201-05**—Disclosure shall include a description of other strategies, such as portion control, to address public health concerns.

<sup>8</sup> Note to **CN0201-10**— Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
<b>Packaging Lifecycle Management</b>	Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable	Quantitative	Metric tons (t)	CN0201-11
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	CN0201-12
<b>Environmental &amp; Social Impacts of Ingredient Supply Chains</b>	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0201-13
	Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0201-14
	List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0201-15

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# Energy Management & Fleet Fuel Consumption

## Description

As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of tightening environmental regulations borne by utilities. With non-alcoholic beverage manufacturing plants located in multiple regions, the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities. Companies in the industry operate large beverage-production facilities and manage large fleets of vehicles. As a result, they are highly reliant on energy and fuel as a primary input for value creation in manufacturing and for use in the distribution of finished products to consumers. Beverage manufacturers may be able to reduce their risks from volatile fossil fuel energy costs by diversifying their energy portfolio across a range of sources and improving energy efficiency and vehicle fuel consumption.

## Accounting Metrics

### CN0201-01. Operational energy consumed, percentage grid electricity, percentage renewable

.01 The registrant shall disclose energy consumption from all sources, except fleet vehicles, as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

.03 The registrant shall disclose purchased grid electricity consumption as a percentage of its energy consumption.

.04 The registrant shall disclose renewable energy consumption as a percentage of its energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.
  - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold)

and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.
- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.<sup>9</sup>

.05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

#### **CN0201-02. Fleet fuel consumed, percentage renewable**

.07 The registrant shall disclose total fuel consumption by fleet vehicles as an aggregate figure in gigajoules or their multiples.

- The scope includes fuel consumed by vehicles owned or operated by the registrant.

.08 Fuel consumption shall be based on actual fuel consumed (i.e., not based on design parameters).

.09 Acceptable methods for calculating fuel consumption include adding fuel purchases made during the year to beginning inventory at the start of the year, less any fuel inventory at the end of the year, or tracking fuel consumption by vehicle or through expense reports.

.10 The registrant shall disclose renewable fuel consumption as a percentage of its total fuel consumption.

- Renewable fuel is defined, consistent with U.S. EPA's Renewable Fuel Standard (40 CFR Section 80.1401), as a fuel which meets the following requirements:

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<sup>9</sup> SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

- Fuel that is produced from renewable biomass.
- Fuel that is used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel.
- Fuel that has lifecycle greenhouse gas (GHG) emissions that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to § 80.1403.

- .11 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .12 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

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# Water Management

## Description

Water management, as it relates to the quantity of water used, its use in water-scarce regions, and disposal or treatment of wastewater in direct operations, is a growing concern for companies in the Non-Alcoholic Beverage industry. Water is the main ingredient in the majority of the industry's products, as industry participants utilize a large amount of water in operations to combine carbonated and non-carbonated water with raw ingredients to create finished beverage products. Due to their heavy reliance on access to water, non-alcoholic beverage companies may be exposed to disruptions that could materially impact operations and add to costs. Companies that operate globally in water-stressed regions that fail to address local water concerns may face further risks of losing their social license to operate. Additionally, proper wastewater treatment is an important dynamic for managing water issues in operations, since bottling plants release large quantities of effluents. Management of water scarcity in the company's supply chain is covered separately under the issue Environmental & Social Impacts of Supply Chains.

## Accounting Metrics

### **CN0201-03. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress**

.13 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
- Water obtained from a water utility can be assumed to meet the definition of fresh water.<sup>10</sup>

.14 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.15 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.16 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

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<sup>10</sup> <http://water.epa.gov/drink/contaminants/secondarystandards.cfm>



#### **CN0201-04. Description of strategy or plans to manage water consumption and disposal-related risks**

- .17 The registrant shall discuss risks associated with its consumption of water and/or the disposal of wastewater and efforts to mitigate or address these risks.
- .18 The registrant shall discuss the scope of its strategies, plans, and/or reduction activities, such as whether they pertain differently to different business units, geographies, or water sources.
- .19 The registrant shall discuss the activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.
- .20 The registrant shall discuss the use of technologies that help production and bottling plant operators reduce water consumption, increase water recycling, and/or reduce water impact in other ways.
- .21 The registrant shall discuss its short-term and long-term plans to address water consumption and disposal, where:
- Short-term strategies may include adopting best practices in water recycling or water efficiency initiatives.
  - Long-term strategies may include process redesigns or technological innovations that reduce withdrawal of fresh water in constrained regions, increase water-use efficiency, provide new water-treatment or recycling systems, etc.
- .22 For water-use efficiency targets, the registrant shall disclose:
- The percentage of water use within the scope of the reduction plan;
  - The percentage change from the base year;
    - The base year is the first year against which water-use efficiency is evaluated toward the achievement of the target
  - The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year.

# Health & Nutrition

## Description

The Health & Nutrition issue relates to key nutritional and health concerns such as obesity, ingredient safety, nutritional content, and acute health impacts resulting from the consumption of non-alcoholic beverages. Health and nutritional issues are constantly evolving and shaping much of the non-alcoholic beverage industry's competitive landscape. Beverage manufacturers are recognizing the risk of consumers' shifting preferences and their increased awareness of product health consequences. Efforts to reduce obesity, in the form of new regulations or taxes on sugar-sweetened beverages, have the ability to influence industry profitability and future demand. Studies have suggested adverse health consequences of consuming sugar-sweetened beverages, such as higher levels of cholesterol, increased risk for heart disease, and higher levels of obesity. These studies may induce new perceptions of the industry's products that lead to long-term shifts in consumer purchasing decisions. Opportunities exist in new segments of the beverage market that address consumers' demand for improved nutritional value. Additionally, the safety of beverages remains an issue for the industry as consumer perceptions of ingredients and quality shift, and adverse health effects may lead to lawsuits for beverage manufacturers. Safety concerns related to the use of any artificial ingredients, including acute health impacts such as heart attacks, will become increasingly material.

## Accounting Metrics

### **CN0201-05. Revenue from (1) zero-calorie, (2) low-calorie, (3) no-added-sugar, and (4) artificially sweetened beverages**

.23 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its (1) zero-calorie (2) low-calorie (3) no-sugar-added (4) artificially sweetened beverage products, where:

- Zero-calorie beverages are defined as those containing less than five calories per reference amount customarily consumed and per labeled serving, per 21 CFR Section 101.60.
- Low-calorie beverages are defined as those containing less than 40 calories per reference amount customarily consumed and per labeled serving, per 21 CFR Section 101.60.
- Beverages with no added sugars are defined as those where no amount of sugars or any other ingredient that contains sugars and that functionally substitutes for added sugars is added during processing or packaging, per 21 CFR Section 101.60. For purpose of this disclosure, artificially sweetened beverages are not to be considered beverages with no added sugars.
- Artificially sweetened beverages are those that contain chemically processed substances that are used in place of sweeteners with sugar or sugar alcohol, consistent with the U.S. National Library of Medicine's definition.

.24 The registrant shall disclose revenues that are accounted for under more than one of the above beverage categories.

#### **Note CN0201-05**

- .25 The registrant shall discuss the use of other strategies, such as portion control, to address public health concerns associated with added sugars and calorie content of products.
- .26 Disclosure shall include the products for which such a strategy has been implemented as well as a discussion of the rationale for the applicability of the strategy.
- .27 The registrant shall discuss whether strategies are related to or associated with a health and nutrition initiative or strategy (e.g., WHO Global Strategy on Diet, Physical Activity and Health, Healthy Weight Commitment Foundation, or the Alliance for a Healthier Generation), including regional, national, international, or industry-specific programs.

#### **CN0201-06. Description of the process to identify and manage products and ingredients of consumer concern**

- .28 The registrant shall discuss its process to identify and manage products and ingredients of consumer concern, including, but not limited to, artificial colors, flavors, sweeteners, preservatives, and other ingredients or additives as described by the FDA, available [here](#).
  - The scope of disclosure shall focus on beverage ingredients, additives, and novel beverages but should include potential synergistic effects of ingredients or products as relevant.
- .29 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, completion of toxicological screens, procedures for receiving and reviewing consumer concerns, labeling of novel beverages, and phasing out, substituting, or using alternative materials for ingredients of concern.
- .30 The registrant shall discuss any significant complaints, such as those resulting in lawsuits, relating to products of consumer concern and any efforts to mitigate the related future risks.
- .31 The registrant may choose to discuss implementation of relevant beverage ingredient and additive standards, such as those under the CODEX Alimentarius International Food Standards of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO), available [here](#).

# Product Labeling & Marketing

## Description

Companies in the Non-Alcoholic Beverage industry routinely make claims related to health benefits of consuming products, which may be misleading and untruthful. This results in litigation that can be materially harmful to operations and company reputations. In the U.S., the Federal Trade Commission (FTC) and the FDA oversee the truthfulness of advertising in the Non-Alcoholic Beverage industry, which includes holding advertisers accountable. Additionally, new laws and regulations surrounding the use and labeling of genetically modified organisms (GMO) may play an increasing role in customer purchasing decisions, as many of the ingredients in non-alcoholic beverages are genetically modified. Companies in the industry are also subject to criticism and regulation surrounding marketing to children, especially in the U.S., where childhood obesity is rapidly increasing. New initiatives have been launched by industry participants to voluntarily monitor and control advertising toward children, which is changing industry marketing dynamics.

## Accounting Metrics

### **CN0201-07. Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria**

.32 The registrant shall disclose the total number of advertising impressions made on children, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.
- Children are defined as age 12 and under, consistent with the CFBAI.

.33 The scope includes advertising impressions made through media such as television, radio, print, Internet, interactive games (including advergimes), tablets, smartphones, video games, computer games, DVDs, and word of mouth, consistent with the CFBAI.

.34 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made on children, including its method for collecting such data. Where reasonable estimation methods include, but are not limited to:

- Gross rating points and target ratios to determine impressions in television, radio, and print advertising.
- Average visits per month, average page visits per month, and targeted index by age for company-owned websites.
- Total number of ads viewed and child audience share on third-party websites, advergimes, tablets, smartphones, video games, and computer games.

.35 The registrant shall disclose the percentage of advertising impressions made on children that promote products which meet the [CFBAI's Uniform Nutritional Criteria](#).

.36 The percentage is calculated as the total number of child advertising impressions promoting products that meet the [CFBAI Uniform Nutritional Criteria](#) divided by the total number of child advertising impressions made.

**CN0201-08. Percentage of product portfolio labeled as (1) GMO and (2) non-GMO**

.37 The registrant shall disclose the percentage (by revenue) of its product portfolio that is labeled as (1) containing Genetically Modified Organism (GMO) and (2) free of GMOs, where:

- GMOs are defined as organisms, with the exception of human beings, in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, consistent with E.U. Directive 2001/18/EC.

.38 The scope of disclosure includes GMOs that are defined by, or subject to, the following:

- E.U. Directive 2001/18/EC;
- Regulation EC 1829/2003;
- Maine HP 0490 LD 718;
- Vermont H. 112 Act 0120;
- Connecticut House Bill 6527; or
- Other U.S. state or federal regulation, as enacted.

.39 The registrant shall calculate the percentage of its product portfolio that is labeled: (1) GMO as the total revenue received from products that are labeled as containing GMOs divided by the total revenue received from products in this portfolio; and (2) non-GMO as the total revenue received from products that are labeled as free of GMOs divided by the total revenue received from products in this portfolio.

**CN0201-09. Notices of violations received for non-conformance with regulatory labeling and/or marketing codes**

.40 The registrant shall disclose the number of notices received that substantiate a violation of labeling- and/or marketing-related regulatory code(s), statute(s), or other requirement(s).

- A labeling- and/or marketing-related non-conformance, consistent with the United States Fair Packaging and Labeling Act (Title 15, Chapter 39) and the FTC Act (Title 15 Chapter 2), includes products with labels that are misbranded or use deceptive acts of advertising.
- Incidences include, but are not limited, to the FDA's Untitled Letters, Warning Letters, or foreign equivalents and the FTC's cease-and-desist orders, civil penalties, corrective advertising remedies, or foreign equivalents.
- A database of Warning Letters is available [here](#), and Untitled Letters are available [here](#).

.41 The scope of disclosure includes non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Food and Drugs Act of 1906 (Title 21, Chapter 1)
- The Federal Food Drug and Cosmetic Act (Title 21, Chapter 9)
- The Fair Packaging and Labeling Act (Title 15, Chapter 39)
- The Federal Trade Commission Act (Title 15, Chapter 2)
- Other U.S. state or federal and foreign regulations, as enacted

.42 The registrant may disclose any other non-conformances with third-party, industry, or internal codes on labeling and/or marketing.

**CN0201-10. Amount of legal and regulatory fines and settlements associated with labeling and/or marketing practices**

.43 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labeling and/or marketing practices, such as those related to enforcement of U.S. laws and regulations on nutrient content claims, health claims, other unfair or deceptive claims, and/or misbranded labeling, including violations of the Federal Food and Drugs Act of 1906 and the Nutrition Labeling and Education Act of 1990, among others.

.44 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

**Note to CN0201-10**

.45 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., nutrient content claims, health claims, misbranded labeling, etc.) of fines and settlements.

.46 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in practices, management, codes, products, or training.

# Packaging Lifecycle Management

## Description

Packaging lifecycle impacts presents major risks and opportunities for non-alcoholic beverage companies, from materials design to transportation and disposal stages of beverage containers and packaging. Each packaging lifecycle stage presents its own unique environmental challenges and opportunities that beverage manufacturers should consider when purchasing or researching new materials. Containers and packaging account for a significant amount of waste in the U.S. every year. While the majority of non-alcoholic beverage manufacturers do not manufacture their own bottles and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. They are also directly affected by any legislation around end-of-life management of beverage containers, particularly with extended producer responsibility laws. Beverage companies can work with packaging manufacturers to improve the environmental characteristics of their products, which can result in better brand reputations and cost savings for beverage producers.

## Accounting Metrics

### **CN0201-11. Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable**

.47 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.

.48 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.
- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.49 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.50 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable

based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.

.51 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- “Recyclable” is defined as able to be reprocessed for the material’s original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.
- “Reusable” is defined as a durable packaging product that is able to be used multiple times for the original purpose for which it was conceived.
- For the purposes of this disclosure, reusable shall be considered recyclable.
- “Compostable” is defined as the ability of a material to undergo degradation by biological processes to yield CO<sub>2</sub>, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.52 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

#### **CN0201-12. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle**

.53 The registrant shall discuss its strategies to reduce the environmental impact of packaging throughout its lifecycle, such as reducing packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.54 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the “Essential Requirements” in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.
- Performance on the Sustainable Packaging Coalition’s Material Use metrics, such as Material Use to Packaged Product Yield or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.
- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.



.55 The registrant may choose to discuss Lifecycle Assessments (LCA) analysis of its packaging in the context of its management approach to maximizing product efficiency, including weight reduction, transportation efficiency, and reduced toxicity. The efficiency and health of product packaging should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Notes

Definitions

Additional References

EPA [Waste Hierarchy](#)

Summary of the [EPA Municipal Solid Waste Program](#)

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# Environmental & Social Impacts of Ingredient Supply Chains

## Description

The ecological and social impacts that occur within supply chains is an increasingly important issue for non-alcoholic beverage companies, as concerns over climate change, water scarcity in the agriculture supply chain, and environmentally and socially responsible sourcing are shaping the industry's competitive landscape. Companies in the Non-Alcoholic Beverage industry use many ingredients that are highly susceptible to price volatility, largely due to shifting weather patterns, droughts, and crop disease. These ingredients include coffee beans, corn, sugarcane, oranges, and other fruits. Crop exposure to external forces can lead to high degrees of cost inflation for beverage ingredients, which can undermine company profitability. Additionally, supply chain disruptions resulting from environmental and social considerations, such as supply shortages or labor violations, present further risk to a company's long-term ability to source key materials and ingredients. Companies that recognize these risks and engage with key suppliers will build more resilient supply chains.

## Accounting Metrics

### **CN0201-13. Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress**

- .56 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress.
- .57 The scope of beverage ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale.
- .58 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of beverage ingredients sourced.
- .59 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress.
- .60 For the registrant's sources that cannot be directly measured, estimation is acceptable and shall be disclosed as such.

### **CN0201-14. Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate**

- .61 The registrant shall disclose its suppliers' compliance with external social and environmental audit standards or internally developed supplier code(s) of conduct, based on the number of non-conformances identified.

- The registrant may limit its disclosure to those suppliers that, in aggregate, account for greater than, or equal to, 80 percent of its supplier sourcing that is directly related to manufacturing.
- .62 The registrant shall calculate and disclose the major non-conformance rate as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited.
- Major non-conformances are the highest severity of nonconformance and require escalation by auditors. Priority non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate harm to the community. Major non-conformance includes material breach or systemic breaking of code requirement or law. Issues representing an immediate danger must be corrected as soon as practical, but not longer than 90 days after discovery.
  - In equivalent codes of conduct, major non-conformances may also be referred to as “zero tolerance” issues, “critical non-conformance,” or “core violations.”
- .63 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.
- A minor non-conformance by itself doesn’t indicate a systemic problem with the management system. It is typically an isolated or random incident and represents a low risk to workers and the environment.
- .64 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed within 60 days to address major non-conformances divided by the total number of priority non-conformances that have been identified.
- .65 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed within 90 days to address minor non-conformances divided by the total number of minor non-conformances that have been identified.
- .66 A corrective action is defined as the implementation of practices or systems to eliminate any non-conformance and ensure there will be no reoccurrence of the non-conformance, and verification that the corrective action has taken place.
- .67 The registrant shall disclose the standards to which it has measured social and environmental responsibility audit compliance.
- For internally developed supplier code(s) of conduct, the registrant shall disclose the public location where such code(s) can be viewed.

**CN0201-15. List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations**

- .68 The registrant shall identify any beverage ingredients that are a priority to the registrants business.

- Priority beverage ingredients are defined as those which are essential to the registrant's principal products, where principal products are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

.69 The registrant shall discuss its strategic approach to managing its environmental and social risks that arise from its priority beverage ingredients, where:

- The scope of disclosure should focus on beverage ingredients that are sourced from directly contracted growers or through producer supply agreements, or that are procured through other means.

.70 The registrant should identify which beverage ingredients present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.

.71 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.72 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.

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